

STATE OF ALABAMA
Department of Finance

SMART BUDGETING

Planning With a Purpose



STRATEGIC PLANNING AND BUDGET REQUEST INSTRUCTIONS

Fiscal Year 2005-2006

**Bob Riley
Governor**



STATE OF ALABAMA
OFFICE OF THE DIRECTOR OF FINANCE
STATE CAPITOL
MONTGOMERY, ALABAMA 36130

BOB RILEY
GOVERNOR

JAMES ALLEN MAIN
DIRECTOR OF FINANCE

August 16, 2004

Dear Agency Director:

Our state government exists to provide the services that the people of Alabama, through their elected representatives, have decided to create and fund. Our top priority must be to keep faith with the people by being accountable for the stewardship of the resources entrusted to us. This requires, first and foremost, that we operate our services on the basis of a transparent budget – an annual plan that directly connects the resources we have been given to the performance that is expected to result. Secondly, it requires that we measure actual performance and then make improvements as we go along. Finally, it calls on us to communicate our plans and results to the public so that they become our partners and not just our critics.

Enclosed in this booklet is our plan for creating a transparent, performance-based budget for fiscal year 2005-2006. I want you to study this booklet very carefully, for two reasons.

First, the plans it calls for cannot be implemented without your strong support and personal leadership. We do not have the resources or the time to hire big consulting firms to do our plans for us, and even if we did, that would not produce the kind of budget we are seeking. We want an operating plan for your agency that takes advantage of the knowledge you and your employees have about the services you deliver – how and why your resources are employed as they are, what works, what needs improvement, and how we can define and measure success. With your personal leadership, your agency can produce that kind of plan from the structure and process provided in this booklet. The value of such a plan will far exceed the effort you invest.

The second reason I want you to study this booklet is so that you will see how it builds on the strengths of the budget structure and process we already have in place, rather than inventing a new and untried system. Start out by turning to Appendix A and reading the Budget Management Act, which is the law under which we produce annual budgets. This law dates back to 1976, and it remains one of the best budget laws in all of the 50 states. We don't have to change our budget system; all we have to do is improve its implementation in a few specific ways, and we will become a leading state in this area as we should be. The major improvements are in the areas of planning (§41-19-6(a)(1)&(2)) and performance reports (or measurements) (§41-19-11). The budget structure and process contained in this booklet are based on our current system, with the improvements necessary to create basic plans and define key performance measurements for the activities that comprise the services you deliver. Hard work will be required, but we're not "reinventing the wheel."

The Department of Finance will provide technical support as you go through the strategic planning and budget development process over the next three months. We also are scheduling training meetings for groups of agencies. My staff will be in touch soon to detail how this will occur.

Sincerely,

James Allen Main
Director of Finance

Planning With A Purpose

Strategic Planning and Budget Request Instructions for FY 2005-2006

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General Information

Agencies must develop strategic plans to accompany budget requests for FY 2005-2006 and budget requests must be based upon the strategic plan.

No agency budget request will be considered until it is accompanied by an approved strategic plan for the agency and for each program within the agency. The due dates are as follows:

- The deadline for submitting draft strategic plans to your budget analyst is 5:00 PM on October 1. Instructions for compiling strategic plans are contained in the section of these instructions titled *"PART A. STRATEGIC PLANNING INSTRUCTIONS."*
- The deadline for submitting the agency budget request to your budget analyst is 5:00 PM on November 1, as required by law. This allows use of the month of October to finalize budget requests that are consistent with approved strategic plans. Instructions for compiling budget requests are contained in the section of these instructions titled *"PART B. BUDGET REQUEST INSTRUCTIONS."* Again, no budget request will be considered unless accompanied by the required strategic plans.

PART A

STRATEGIC PLANNING INSTRUCTIONS

A1. Planning With a Purpose

An April 2004 Public Affairs Research Council of Alabama (PARCA) report states the following:

The term “accountable” literally means “able to be counted.” Accountability is based on openness, or transparency, to key stakeholders and for certain purposes. For a state government, the key stakeholders are its taxpayers, to whom it must be accountable for the use of tax dollars. This requires a budget presentation focused on the purposes for which tax dollars are spent and the results to be achieved. Taxpayers inevitably will lack trust in a government that does not make these connections.

In previous years, budget decisions were generally based on the amount of available revenue rather than on the services to be provided. Once revenue estimates were made for the upcoming fiscal year, appropriations were allocated based on a pro-rata increase (or decrease if revenue is estimated to decline) over the current year’s appropriation.

SMART Budgeting

SMART Budgeting is designed to improve Alabama government by requiring organizational planning, linking plans to budget requests and appropriations, and creating meaningful performance measurements. **SMART Budgeting** is

- **S**pecific
- **M**easurable
- **A**ccountable
- **R**esponsive
- **T**ransparent

The State of Alabama already has a sound budgeting law, known as the Budget Management Act (*§ 41-19-1 through 12, Code of Alabama 1975*), and an appropriation architecture built to accommodate the kind of performance management system envisioned in **SMART Budgeting**. What we lack, and this new approach will provide, is strategic planning on the “front end” of the process and meaningful performance monitoring to complete the process on the “back end.” The result will be a comprehensive planning, budgeting, and performance monitoring process. Implementing **SMART Budgeting** will allow us to create an open window on Alabama

government, inviting the people of Alabama to see what is being accomplished with their investment of tax dollars.

It will take time and resources to carry out this initiative. In an effort to mitigate potential problems and ensure success, **SMART Budgeting** will be implemented over the next three years. Fiscal Year 2005-2006 will be a developmental year with a goal of implementing basic planning and performance measurement in every agency of state government. In years two and three, agencies will be asked to plan more comprehensively, and statewide planning will be based on the broad functions of state government. However, agencies may develop more detailed plans in year one if they are capable of doing so, anticipating the more comprehensive process that is coming in future years.

In this document, we present the instructions for year one...***Planning With a Purpose.***

The Importance of *Planning With a Purpose*

Strategic planning is a process of determining why an organization exists and setting out a plan for achieving that purpose. A strategic plan:

- **Focuses on mission, vision, and values**
- **Develops goals for reaching them**
- **Identifies the key assumptions and critical issues to be faced**
- **Defines measurable objectives**
- **Devises an operating strategy**

Before an agency can begin the strategic planning process, a statewide planning overview must be established. The Governor's mission statement, values, philosophy, and priorities for Alabama state government are found in this document. Prior to beginning the planning process, each agency's top managers should study this statewide planning overview, identify the linkages with their agency, and begin to consider how their plans will conform to the Governor's priorities and contribute to the accomplishment of his key objectives.

For fiscal year 2005-2006, agencies must develop basic plans that will show how they intend to manage the programs and activities for which they are responsible. This is the traditional way in which agencies have been held accountable for budgeting, accounting, and reporting purposes. The difference this year is that budget requests must be based on plans with meaningful, quantifiable targets for performance and strategies for achieving them.

You can download instructions for Strategic Planning from the following two websites:

www.smartbudgeting.state.al.us

www.governor.state.al.us

Agencies that experience difficulties in accessing and/or printing the instructions should contact the **Executive Budget Office** at **(334) 242-7230**.

In addition, strategic planning materials from other states also will be available on the two web sites mentioned above. These materials may prove very helpful to agencies going through strategic planning processes, particularly by providing real-world examples of goals, objectives, strategies, and performance measures for agencies with responsibilities similar to those of Alabama's agencies.

A2. Why We Must Plan

There are **three simple reasons** why the State of Alabama and its agencies must implement a sound planning, budgeting, and performance-monitoring methodology:

1. ***The law calls for it.*** Please review the Budget Management Act that is included with these budget instructions. This is the law that governs the way Alabama state government should plan, budget, and operate its activities. It calls for plans to inform the budget and to establish the benchmarks by which the success of state operations is measured.
2. ***The people demand it.*** It is clear from recent history that the people of Alabama expect their state government to perform more efficiently with the tax dollars they now contribute. This requires plans that create realistic, measurable performance expectations. The state budget must become a vehicle for communicating with the people about the results achieved with their investment of tax dollars.
3. ***The Governor and Legislative leaders are committed to it.*** The people of Alabama and elected officials differ among themselves on the issue of whether current resources are sufficient for the tasks assigned state government. Nevertheless, all can agree that the only way to resolve this issue is to base state expenditures on plans that call for the best uses of the resources available, and then to ensure that money is spent according to those plans. When state government is made accountable in this way, the resource issue can be resolved.

The State of Alabama is committed to developing and implementing a strategic planning, budgeting, and performance measurement process that completely fulfills the requirements of the Budget Management Act, provides the people of Alabama with meaningful information about the results achieved with their tax dollars, and creates accountability for the use of state resources. The diagram below provides an overview of this process, which we have termed **SMART Budgeting**.



Each component of the process shown in the diagram can be defined by the key questions it answers.



Addresses three issues:

1. ***Where do we want to go?*** What mission have we been given, what is our vision of the future, and what philosophy and values do we hold?
2. ***Where are we starting from?*** What are the key features of our current situation?
3. ***What is our strategy for closing the gap?*** How do we propose to move from where we are today (Step 2) to where we want to go in the future (Step 1)?



Matching resources to strategy, addresses a fourth question:

4. ***How will we allocate resources to carry out the strategy we have chosen?***



Performance monitoring tells us whether we are successful in carrying out our strategy. Tracking performance fulfills the obligation to be accountable for resources invested. This addresses a fifth question:

5. **What do our measurements tell us about success?**

Implementing a comprehensive planning, budgeting, and performance monitoring process of this type takes time and resources. **Over the next three years, our plan is to phase-in this process**, and make improvements in its comprehensiveness yearly. Accordingly, the requirements placed on agencies for the FY 2005-2006 budget have been tailored to implement the basic elements of strategic planning in a way that is practical given the constraints under which we operate. The process will be enhanced for FY 2006-2007 and will reach full implementation for FY 2007-2008.

The discussion that follows provides the statewide planning overview that agencies should use as the foundation for their own plans, and instructions for developing the state agency plans that are required to be submitted with the agency budget request for FY 2005-2006.

A3. The Statewide Planning Overview

The primary purpose of strategic planning is to improve performance and results. This is done by focusing on strategic priorities, allocating limited resources to accomplish those priorities, and measuring performance and results to achieve accountability.

Agency plans must be based on the statewide planning overview, which describes the Governor's view of the mission of state government and the values, philosophy, and priorities of his Administration. This statewide planning overview serves as the foundation for agency strategic planning.

On the pages that follow, Governor Riley has provided a statewide planning overview to guide agencies in their development of strategic plans.

THE MISSION OF STATE GOVERNMENT

Our mission is to transform Alabama's government fundamentally so that its central focus is to serve the people of Alabama ethically and efficiently in order that all sectors of our state, private and public, achieve their potential.

OUR VALUES

- 1. Trust.** For Alabama to achieve its potential, its people must first trust their government. We will build trust by telling the truth, conducting an open administration, making decisions on the merits, eliminating conflicts of interest, maintaining the highest ethical standards and driving out waste. In all that we do, we will strive to set an example and exhibit such character as will make the people of this state proud of their government.
- 2. Excellence.** Alabama is capable of excellence in all aspects of its life. We will seek to raise aspirations, to achieve excellence and to lift all functions of state government to world-class levels.
- 3. Servanthood.** We are servants of the people of the state of Alabama. We will first listen to them and then commit ourselves to serving their interests and enhancing the quality of their lives. We will be wise and frugal stewards of all state resources and every dollar entrusted to us.
- 4. Results.** How we operate state government is of the utmost importance, and we will conduct all of our affairs in accordance with these values. We acknowledge, however, that we are equally accountable for the results we accomplish.

Our ultimate accountability in everything is to our Creator in whom we put our trust. May God bless Alabama.

OUR PHILOSOPHY OF STATE GOVERNMENT

The job of state government and its employees is to serve the hardworking people of Alabama in a manner that is worthy of their investment and representative of their values. Accordingly, we will promote the following core principles:

- Our state and its future are more important than politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Alabamians, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition and personal responsibility are the greatest incentives for achievement and excellence. They inspire ingenuity and require individuals to set their sights high.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
- Finally, state government should be humble; recognizing that all its power and authority is granted to it by the people of Alabama, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

OUR PRIORITIES FOR STATE GOVERNMENT

Governor Riley is committed to reforming state government, improving the quality of education for all of Alabama's children, and working to expand the economy and create jobs.

In an effort to assist state government in reaching these goals, the Governor has identified the following priorities of government with associated expectations. **The purpose of this document is to provide state agencies with a list of the Governor's top priorities to be used as an overarching framework for the development of agency plans. This is not an exhaustive list of the Governor's goals and objectives.**

Priority 1: Reform state government.

Goal: To be recognized by citizens as the most efficient, accountable, responsive and trusted state government in the country.

Objectives:

1. Significantly increase ethical standards for public service.
2. Create and implement a strategic management system linking agency plans to budgeting to performance measures.
3. Increase the transparency of state government to foster greater accountability.
4. Increase the delivery of services to the people of Alabama while reducing unit costs.
5. Successfully conclude pending class-action lawsuits against various state agencies.

Priority 2: Improve the quality of education for all of Alabama's children.

Goal: Provide the highest quality educational system possible so that all Alabamians are prepared to compete with the best students anywhere.

Objectives:

6. Improve student achievement in the public schools of Alabama.
7. Increase the number of schools with the Alabama Reading Initiative and the Alabama Math, Science and Technology Initiative.

8. Reduce the number of schools/school systems that fall below state benchmarks for academics, discipline, and financial management in the State Board of Education's reporting system.
9. Improve teacher preparation through the implementation of enhanced teacher education standards.
10. Improve the coordination of higher education decision making in Alabama

Priority 3: Expand the economy and create jobs.

Goal: Create a favorable business climate that results in a prosperous and growing economy, providing greater opportunities for all Alabamians.

Objectives:

11. Increase the number of new jobs announced by new and existing companies.
12. Expand and improve the state's economic development initiatives through the use of the Capital Improvement Trust Fund (CITF).
13. Improve the education levels and skills that Alabamians offer to employers through a focused workforce development organization.
14. Increase the number of new job announced in distressed rural counties.
15. Increase participation in adult education and high-priority career/technical programs in distressed rural counties.
16. Improve physical infrastructure to support and sustain economic development, and increase the percentage of total DOT dollars spent on building and maintaining infrastructure versus administration.
17. Promote and enhance a strong farm economy.
18. Protect and expand the state's military installations.

Priority 4: Improve health & human services for Alabama's vulnerable children and adults.

Goal: Provide health and human services through an efficient, effective and user-friendly system that promotes the health, responsibility and self-sufficiency of individuals and families.

Objective:

19. Increase the number of counties with integrated health and human services delivery systems, which include both public and private providers.

Priority 5: Improve the safety of people and property in Alabama.

Goal: Protect Alabamians by enforcing laws quickly and fairly; maintaining disaster preparedness and response plans; policing public highways; and confining, supervising and rehabilitating offenders in a cost-effective manner.

Objectives:

20. Reduce recidivism rates through an increased investment in community corrections and other alternative rehabilitation programs.
21. Reduce the number of highway traffic fatalities.
22. Reduce the amount of time it takes to process forensic science data.

Priority 6: Conserve and protect Alabama's natural resources.

Goal: Conserve, protect and enhance Alabama's natural resources in a manner that encourages sustainable economic development and promotes the responsible stewardship of those resources.

Objectives:

23. Protect and improve the vitality of Alabama's wildlife population.
24. Protect and improve the quality of Alabama's air and water resources.
25. Protect public health and the environment by cleaning up polluted sites in a cost-effective manner.

A4. Planning Requirements for State Agencies

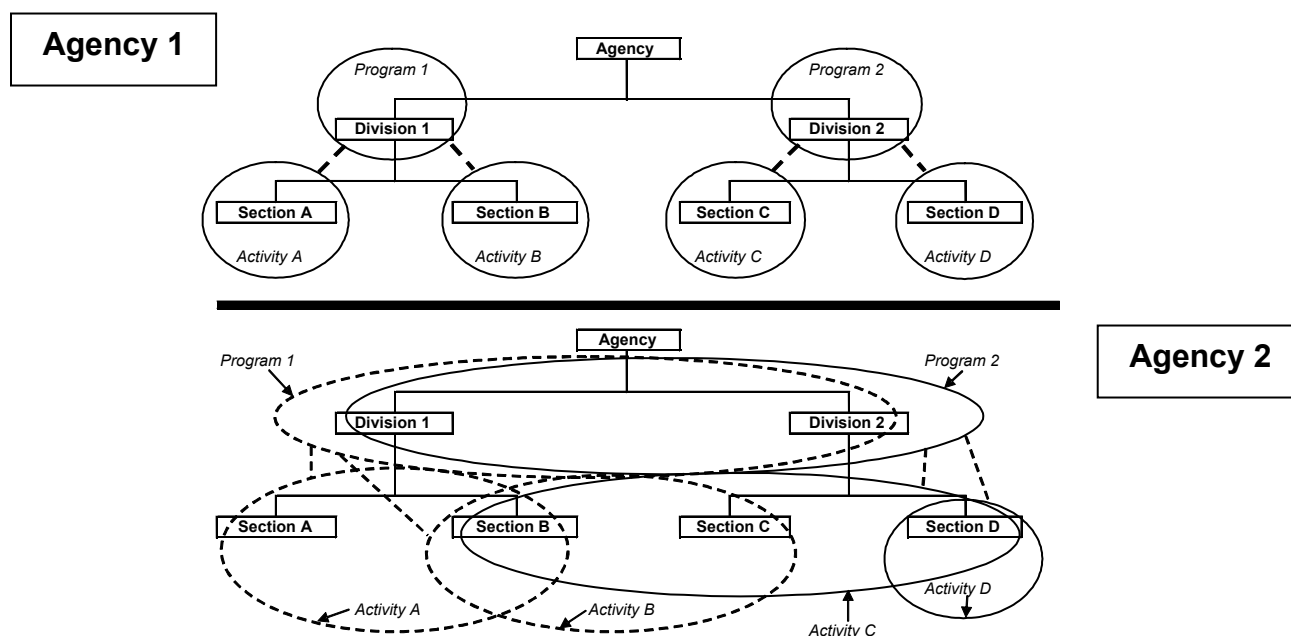
Matching Programs and Activities to the Organization Chart (*optional*)

As a preliminary exercise and before undertaking the strategic planning process, each agency should match its programs and activities to the boxes on its organization chart. Simply circling on an organization chart the boxes that are involved in each program and the activities of that program completes this task. Relating programs to the organization chart is sometimes called “responsibility budgeting,” and it will show graphically where the responsibility for performance is located within the agency. This exercise will indicate whether programs and activities, or organizational boxes, are defined properly in terms of performance management.

Programs and activities ought to be aligned closely with the organizational chart. When programs or activities are divided across organizational boxes, responsibility for performance may be unclear. This might call for change in either the organizational structure or the definition of programs and activities. The two examples below illustrate this point.

Agency 1: Programs and activities are **aligned** with organization chart. Responsibilities are clearly defined.

Agency 2: Programs and activities are **not aligned** with the organization chart. You cannot determine who is responsible for each activity.



There is no requirement to submit the results of this preliminary exercise. Its purpose is to facilitate the agency's strategic planning process. An agency will find it difficult to develop missions, goals, objectives, and strategies for programs and activities that are not defined in terms of the way business is actually conducted.

The Executive Budget Office should be consulted on any decision to modify program or activity definitions. Once decisions about redefining programs, activities, or organizational units are made, the agency is ready for strategic planning meetings.

A5. The Planning Process and Participation

The strategic planning process should involve the agency director, managers for the programs that are included in the agency's budget request, managers who provide key administrative and technical services for the agency's activities, and others by invitation. In large or complex agencies, multiple meetings may be required to allow for adequate representation of all who should play a role in the strategic planning process.

The purpose of strategic planning is to develop strategies for managing and improving the performance of the agency and its program activities. The agency's budget should be built around the strategies developed in the planning process. The value of the plan for achieving this purpose will vary directly with the commitment and leadership of the director and other agency managers involved. A summary version of the strategic planning process will be documented on **EBO Form No. 4a** and submitted with the budget request. Undoubtedly this will be studied by legislative personnel in the appropriation process, and eventually will be made public as part of the state's web site. Agencies will want to "put their best foot forward" in these plans, to avoid the appearance that they have just "gone through the motions" and aren't committed to the plan and its implementation.

- For FY 2005-2006, agencies may choose to go through the strategic planning process at the program or ("appropriation unit") level, or at the more detailed activity or ("program element") level. If the agency chooses the program level, it must document the strategic plan that is developed for each program. If the agency chooses the activity level, it must document the strategic plan that is developed for each activity.
- Planning meetings should involve about 6-12 members of the team. If more people need to have input, consider scheduling more meetings rather than enlarging the group. Participation is important in planning discussions, and large groups make this difficult.
- Utilizing a facilitator, possibly from outside the agency, to lead the meetings will allow the director to participate, and will effectively keep the process on track. It will also be helpful to gather information from front line employees, customers/users, and members of any board, commission, or task force related to the agency. This information can be gathered through facilitated focus groups or through surveys. While the compressed time frame for FY 2005-2006 will limit the gathering of such information, agencies should begin to plan now for more extensive efforts in compiling their FY 2006-2007 strategic plans.

A6. The Form to be used in Documenting Plans

EBO Form No. 4a

The strategic plans developed by each agency for its programs and activities will be documented on **EBO Form No. 4a**. Agencies are already familiar with Form 4, which was a blank form used to list performance measures for the programs and activities of the agency. **Beginning with the budget request package for FY 2005-2006, agencies will use EBO Form 4a to document a summary of their strategic plan.**

The deadline for completing EBO Form 4a for an agency and its program activities is: October 1, 2004.

This deadline allows time for the Executive Budget Office to review agency plans before the final submission of the entire budget request package on November 1, 2004.

The planning documentation required on **EBO Form No. 4a** consists of brief statements that convey the agency's mission, vision, and values, and the following information for each program activity:

- The **mission**;
 - **Goals** that will allow the mission to be achieved;
 - Key **assumptions** that will drive the budget;
 - **Critical issues** that must be faced;
 - **Objectives** chosen by the agency to manage and improve performance, and
 - **Strategies** that will ensure accomplishment of the objectives.
- A template for entering this information on **EBO Form No. 4a** has been created on an Excel spreadsheet that will be made available to all agencies. The information required on the form is shown in the first column, and the remaining columns are blank. This will allow agencies to enter and print out their information in a common format, while having the flexibility to add lines or otherwise tailor the form when it becomes necessary to do so. ***A partially completed, hypothetical example of EBO Form No. 4a is shown on the next page.*** This example, along with others, will be used in describing the information that is required to document agency strategic plans.

Example EBO Form No. 4a

State of Alabama EBO Form No. 4a		AGENCY BUDGET REQUEST STRATEGIC PLAN SUMMARY		Alabama Medicaid Agency Agency 062 Page 1 of 3	
AGENCY	Alabama Medicaid Agency	ACTUAL FY04	BUDGET FY05	ESTIMATE FY06	
MISSION	To provide an efficient and effective system of financing health care for eligible Alabamians (Governor's Priorities 1,4).				
VISION (Optional)	To play a key leadership role in ensuring availability and access to appropriate medical care for all Alabamians.				
VALUES (Optional)	A caring organization, willing to change, that values integrity, is committed to excellence, and values teamwork.				
CRITICAL ISSUES					
(Optional)					
Internal					
External	Settlement of financing issues with CMS.				
PROGRAM	416 Medical Assistance Through Medicaid	(\$ in millions)	\$ 3,591	\$ 3,905	\$ 4,395
ACTIVITY 1	0211 General Administration	(\$ in millions)	\$ 103	\$ 94	\$ 103
MISSION	To provide effective personnel and administrative support for the Medicaid program.				
GOAL(S)	To provide timely, accurate eligibility determination.				
	To provide timely, accurate payment to medical providers.				
	To prevent fraud by providers and eligibles.				
ASSUMPTIONS	Medical Assistance (M.A.) spending for grants and benefits will increase by 10%	(\$ in millions)	\$ 3,494	\$ 3,817	\$ 4,298
CRITICAL ISSUES					
Internal	Improve fraud discovery and recovery.				
	Reduce time for nursing home eligibility determinations.				
External	Merit system hinders hiring of qualified personnel.				
	Purchasing system does not handle personal services contracts effectively.				
OBJECTIVES					
Spending	Increase administrative spending by no more than 2%.	(\$ in millions)	\$ 103	\$ 94	\$ 103
Staffing	Increase full-time-equivalent (FTE) administrative staff by no more than 2%.	(No. of FTE staff)	686	689	700
Efficiency	Reduce ratio of administrative To M.A. spending by 5%.	(Admin. \$ / M.A. \$)	2.9%	2.5%	2.4%
	Increase administrative staff per \$ million in M.A. spending by 10%.	(FTE / M.A. \$)	5.1	5.5	6.1
Quality	Identify and investigate 100 fraudulent claims to create a benchmark for future years	(No. of claims)	---	---	100
	Reduce avg. time for nursing home determinations by 2.5 hours.	(Avg. no. hours)	8.2	8.5	6.0
STRATEGIES	1. Create an effective fraud prevention unit and establish sound procedures. 2. Improve the process for asset determinations in nursing home eligibility. 3. Compare district offices on efficiency in determinations, assist low performers.				
ACTIVITY 2	0205 Nursing Home Care	(\$ in millions)	\$ 768	\$ 831	\$ 894
MISSION	EXAMPLE				
GOAL(S)					
ASSUMPTIONS					
CRITICAL ISSUES					
Internal					
External					
OBJECTIVES					
Spending					
Staffing					
Efficiency					
Quality					
STRATEGIES					

A7. Information to include on EBO Form No. 4a

What information gets entered on EBO Form No. 4a?

AGENCY MISSION, VISION, AND VALUES. The first line of EBO Form No. 4a calls for a mission statement for the agency, and at the agency's option, the vision and values of the agency. The first column on the form lists these items in the first three lines. The statements that result from the agency planning process should be entered in the wide column that follows, under the name of the agency. A hypothetical example for the Alabama Medicaid Agency is shown on the previous page.

1. Mission Statement: A brief statement about why the agency exists.

A mission statement defines the purpose of the agency – why it exists. The key sources in writing a mission statement are the constitutional, statutory, and judicial mandates to which the agency responds. The ***Alabama Government Manual***, published by the Alabama Law Institute, contains mission descriptions for most agencies and should be consulted.

The mission statement is action-oriented and therefore should start with “To...” Normally the legal authority will lead directly to the remainder of the phrasing of the statement. The legal authority should be entered in parentheses at the end of the mission statement.

➤ ***For Example:*** *The Alabama Government Manual* states at page 399: “The mission of the Department of Archives and History is to ensure the preservation of Alabama’s historical records and artifacts and to promote a better understanding of Alabama’s history.” The Manual also cites the legal authority as Alabama Code, Sections 41-6-1 to 41-6-77. Thus, the mission statement for the Department of Archives and History might read:

To ensure the preservation of Alabama’s historical records and artifacts and to promote a better understanding of Alabama’s history (Ala. Code Sec. 41-6-1 to 41-6-77).

2. Vision Statement: A compelling description of a desired future. *(Optional)*

The second line of EBO Form No. 4a calls for a vision statement for the agency.

For FY 2005-2006, development of a vision statement is optional. Agencies will find it very useful in the planning process to focus on a shared vision, but may choose to defer this activity until the following year and leave this line blank.

Before we start a journey we need agreement about the destination. A vision answers questions such as: What results do we desire? and What do we want to become? A vision must be shared to be powerful. A great vision statement will unite, inspire, and focus a team's efforts. Organizations often tend to put too much into a vision statement, including values and goals. To be useful, a vision statement must be concise and memorable, no more than one sentence. If people have to pull out a binder and read a vision statement, it is not effective.

3. Values: Core beliefs that guide behavior and decisions. *(Optional)*

The third line of EBO Form No. 4a calls for a values statement for the agency. For FY 2005-2006, development of a values statement is optional. Agencies will find it very useful in the planning process to focus on shared values, but may choose to defer this activity until the following year and leave this line blank.

Values are principles that define the agency's core beliefs and guide staff behavior and decisions. Everyone in the organization should embrace them.

The organization's values articulate how customers or clients will be treated and the quality expected in producing the agency's services. They also define how the staff works together and what is most important in the roles of various staff members. They address people, processes, practices, character, and commitment. The values statement may simply list the words that capture the agency's values, without necessarily putting them in complete sentence form.

What other information gets entered on EBO Form No. 4a?

On the next two lines of EBO Form No. 4a, the agency may choose to list critical issues it faces. Those issues may be internal (within the agency's control) or external (outside the agency's control). For a discussion of critical issues, see page 23.

- **Program and Activity Information**

The next information to be entered on EBO Form No. 4a is a program name, along with spending data for FY04 (actual), FY05 (budgeted), and the agency's estimate for FY06. If the agency chooses to plan at the activity level, then the first activity under the program will be listed in the next line, along with FY04, FY05, and FY06 spending data, and the agency will proceed to document the plan developed for each activity comprising the program. If the agency chooses to plan at the program level, there will be no activity names on the form, and the agency will proceed to document the plan developed for the entire program.

In the example shown on page 17, the Alabama Medicaid Agency lists "Program 416, Medical Assistance Through Medicaid" on the PROGRAM line. Below that, it begins to list the activities. ACTIVITY 1 is "0211, General Administration." Spending data are shown on the title line for the program and activity, and would be repeated for each program and activity on the form.

- **Mission of the Program or Activity**

The next information to be entered on EBO Form No. 4a is the mission of the program or activity. Refer to the discussion on the agency mission statement (see page 18) for tips on the form of this statement.

In the example on page 17, the Medicaid Agency has stated the mission of its General Administration activity as "to provide effective personnel and administrative support for the Medicaid program." This is a broad, general statement of the purpose for the activity. It raises the question: What would it take to provide "effective" support? This is the question answered by the goal statements, which come next on the form.

- **Goals of the Program or Activity**

Following the mission statement for the program or activity, **EBO Form No. 4a** calls for the goals that will lead to accomplishment of the mission.

In the example on page 17, the Medicaid Agency has stated the goals that its planning team believes will lead to effective personnel and administrative support for the Medicaid

program: to provide timely, accurate eligibility determination; to provide timely, accurate payment to medical providers; and to prevent fraud by providers and eligibles.

4. Goals: Long-term direction - - what we want to accomplish, in specific terms.

Goal statements provide long-term guidance and direction for carrying out the mission. Goals are typically enduring and may require years to fully accomplish. They should be limited in number, expressing the highest priorities for the program or activity. They should also be aligned with the Governor's priorities.

The State Department of Education (SDE), for example, clearly should tie its agency goals to the Governor's goal of improving achievement for all students in the public schools of Alabama. The SDE goal should be more specific. In particular, the SDE goal should call for the successful implementation of the Alabama Reading Initiative in every elementary school in the state. This goal can only be accomplished over a period of years due to the necessity of funding, training teachers, and evaluating student performance.

Many agencies provide services to clients. For such agencies, a key goal is to provide timely and high-quality services to every client. This, too, is a long-term proposition given the resource and operating constraints that may face the agency today. Specific, measurable standards can be applied to such terms as "timely" and "high-quality"; for example, one goal may be to process all applications for service within five days of receipt and with no errors.

With the completion of the mission and goal statements, the agency's planning team has answered the basic question, "Where do we want to go?" Logically the next question that must be answered is, "Where are we now?" **EBO Form No. 4a** therefore turns next to the key assumptions and critical issues that describe the current environment.

- **Assumptions for the Program or Activity**

Following the goals for the program or activity, EBO Form No. 4a calls for a list of the key assumptions that must be taken into account in managing the program or activity. An assumption is a projection of a variable related to the environment of the program or activity. The assumptions that should be listed on the form are those that drive the budget of the program or activity, such as caseloads and cost factors. Three years of baseline data for each assumption should be listed in the final columns of **EBO Form No. 4a**: actual data for FY2003-2004, budgeted data for FY 2004-2005, and the agency's estimate of the data for FY 2005-2006.

In the example on page 17, the Medicaid Agency has listed an expected increase in

Medical Assistance expenditures of 10% for the FY 2005-2006 period. The columns on the right show that spending on medical benefits is expected to rise from \$3,817 million in FY 2004-2005 to \$4,298 million in FY 2005-2006. This increase will be due to inflation and caseload trends. The dollar value of Medicaid benefits is an important variable related to the agency's administrative workload.

5. Assumptions: Key projections about the operating environment that will affect program operations

Among the assumptions that are typically critical to governmental services, two are common:

- ***The demand or need for services.*** The amount of services required may be increasing, decreasing, or unchanging. Obviously this will affect the resources to be employed as well as the strategies devised to manage and improve performance.
- ***Cost factors related to services.*** These include inflation and known increases in operating costs for personnel and material resources.

The strategic planning process should cover these key areas and any others that will significantly affect operations in the coming fiscal year and/or in the year following. For example, caseloads in many social-service agencies are affected by economic swings. In good economic times, such an agency might assume a reduction in caseload. The Department of Corrections historically has had overcrowded institutions and difficulty in hiring staff; these resource constraints are significant operational considerations for such an agency and should be reflected in its planning assumptions. The Departments of Human Resources and Transportation have been affected by lawsuits requiring substantial expenditures; settlement of such cases could have a significant impact on operations.

• **Critical Issues for the Program or Activity**

Following the assumptions for the program or activity, EBO Form No. 4a calls for a list of the critical issues that present the greatest threat to achievement of the goals for the program or activity. A critical issue is a potential "show-stopper," and there are two types: internal issues that are within agency control, and external issues that are outside agency control. The form contains space for both.

In the example on 17, the Medicaid Agency has listed two internal issues and two external issues. The internal issues relate to fraud and nursing-home eligibility determinations. The external issues relate to the state's personnel and purchasing systems.

6. Critical Issues: The issues that present the greatest threat to achievement of program or activity goals

It is important for the agency to consider both internal and external issues in its planning activities. Internal issues are those that can be resolved by the agency; external issues are those that require assistance from the Governor, Legislature, or another outside entity.

What is SWOT?

To determine the highest-priority issues, the agency must focus in its planning process on both the internal and the external environment. Planners refer to this assessment process as a **“SWOT”** analysis because it calls for reviewing internal **S**trengths and **W**eaknesses and external **O**pportunities and **T**hreats. The strategic planning **SWOT** analysis should review the internal and external factors that are most highly related to performance; feedback from clients, customers, employees, and other stakeholders; legal authorities and issues; organizational structure; staffing; technology; financial constraints; process design; quality standards; and results. The focus of this **SWOT** analysis should be the development of critical issues, not the development of a “laundry list” of complaints. For example, ordinarily it would serve no purpose for the Medicaid Agency to bemoan the fact that providers lobby the Legislature, or that legislators call the agency seeking favorable treatment for constituents.

Agencies should identify the critical issues that can and must be resolved to improve performance. In the governmental setting, the identification of critical external issues alerts the Governor and the Legislature to the key operating problems that agencies face, over which they exercise no control. Governmental agencies often have only limited ability to react to circumstances by changing service delivery methods, modifying mission requirements, or redeploying resources, and they do not control many of the technical and administrative resources that are key inputs to the provision of services.

- **For example:** *Many Alabama agencies – including the Purchasing Division in the Department of Finance – face major problems because of the state’s outdated purchasing law. No agency can fix this problem without the support of the Governor and Legislature. The Alabama Medicaid Agency faces a threatened cutoff of federal matching funds, which requires the attention not only of the Governor and Legislature, but also of the Congressional Delegation. Salary restrictions and other personnel policies, which are outside agency control, affect many agencies. Technology constraints also have the potential to become critical issues for some agencies and appropriation units.*

Having listed for this program or activity (1) the mission and goals, and (2) the assumptions and critical issues, the agency’s planning team now can see the gap between where it wants to be and where it is. This creates the foundation for spelling out

measurable objectives and strategies to manage and improve the program or activity for the coming fiscal period.

- **Objectives for the Program or Activity**

Following the critical issues for the program or activity, EBO Form No. 4a calls for four types of measurable objectives – spending, staffing, efficiency, and quality.

The agency should specify at least one of each type. That is, what does the agency intend to happen in total spending for the program or activity during the next fiscal year, compared to the current year? What does it intend to happen in the level of its staffing? What does it intend to happen in one key measure of efficiency? What does it intend to happen in one key measure of quality? Data for the prior, current, and budget years should be listed in the final three columns of the form.

In the example on page 17, the Medicaid Agency has listed six objectives for FY 2005-2006. It intends to increase administrative spending by no more than 2%. The data on the right show that this objective will be met if administrative spending totals \$103 million in FY 2005-2006. The agency intends to increase the number of FTE staff by no more than 2%, from 689 to 700. The agency lists two efficiency measures. The first is the ratio of administrative to medical-benefit expenditures, which it intends to reduce by 5%, going from 2.5% down to 2.4%. The second is the number of administrative staff per million dollars of medical-benefit spending, which it intends to increase by 10%, from 5.5 to 6.1. The agency also lists two quality measures. The first is to initiate a measure of fraudulent claims by identifying and investigating 100 suspected cases of fraud. (Since this is a new initiative, there is no way to predict success in the first year.) The second is to reduce the average time required for nursing-home eligibility determinations by 2.5 hours. These are the most time-consuming eligibility determinations for the agency, and reducing them would benefit clients who need the care as well as increase the productivity of eligibility staff.

7. Objectives: Quantified, achievable targets for a specific time period that lead toward goal attainment

In specifying objectives, agency personnel should ask, “What should we accomplish this year to move as far as possible toward realizing our mission and goals, given the assumptions and critical issues we have identified?” Meaningful objectives are targets that are neither too easy nor too unrealistic. They should stretch those involved, requiring innovation and creativity, but not be impossible to reach. Objectives set too low or too high are not motivational and are not useful in an effective planning process.

The objectives should include one or more measures of the resources required by the program or activity. The first of these should be the total spending requirement in dollars. The second should be the staffing required to carry out the program or activity. Other input measures may be included on **EBO Form No. 4a**, particularly when staffing is not the predominant resource employed. Some agencies use most of their resources

to purchase services, rather than to employ staff. In the Medicaid Agency, for example, the entire staff is to be carried in the General Administration activity. Among the alternative input measures it might use are the quantities of medical services purchased.

The objectives also should include one or more measures of efficiency or productivity. These measures relate the quantity of clients served or services delivered to the resources employed. Normally the most important efficiency measure is the unit cost, which relates the amount of program activity to spending. The unit cost of a licensing agency, for example, might be measured by the cost per application processed; the unit cost of highway maintenance might be measured by the cost per lane-mile of highway maintained. Other types of efficiency measures may be included when the agency considers them important. These might include staff workload measures such as the number of clients per caseworker, time-related measures such as the average response time for highway-patrol officers, and resource-leveraging measures such as the dollar value of revenue generated by each auditor in a revenue-raising agency.

Finally, the objectives should include one or more measures of quality or effectiveness of work accomplished. This normally will be a measure of timeliness, customer satisfaction, or adequacy in meeting the demand for services. Quality can be measured in such ways as:

- **The percentage of services completed within a timeliness standard**, such as the number of applications processed within a set number of days.
- **The percentage of services completed in a satisfactory manner**, as measured by an absolute standard such as a grading system, or by a client survey. High school students in Alabama must pass a graduation exam to complete their education satisfactorily, for example. The percentage of students who pass the exam by the end of the twelfth grade is a quality measure for the public schools. For institutional programs, the recidivism rate is a negative form of quality measure.
- **The number of services completed or clients served in relation to population or another demand measure**, such as college graduates per capita, or the percent of a target group that have been immunized. For schools, the dropout rate is a negative measure of this type.

- **Strategies for the Program or Activity**

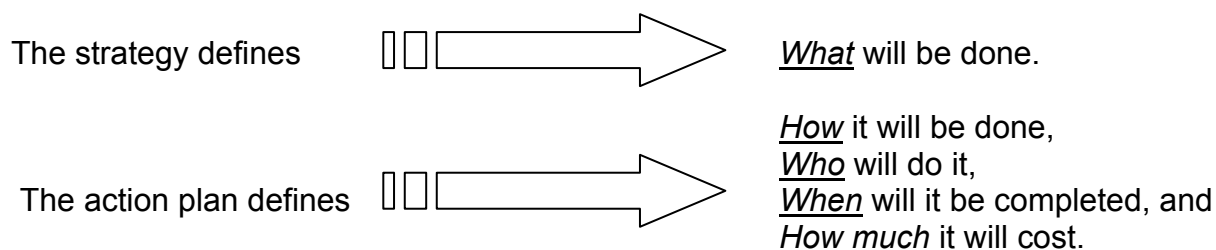
Following the objectives for the program or activity, EBO Form No. 4a calls for the strategies that express the priorities for action developed during the planning process. These priorities should relate back to the goals, assumptions, and critical issues already listed. Strategies should be accompanied by detailed steps known as action plans, but agencies are not required to document the action plans they develop during the planning process. The strategy statement should express the nature of the

action plan in a single sentence, and the agency should be prepared to describe the steps involved.

In the example on page 17, the Medicaid Agency lists three strategies for its General Administration activity. Referring back to its critical issues, the first two are to create an effective fraud prevention unit and establish sound procedures, and to improve the process for nursing-home eligibility determination. The agency also intends to focus on improving efficiency in eligibility determination generally, by comparing district office performance and assisting low performers. The creation of the fraud unit accounts for the increase the agency projects in its staffing requirements.

8. Strategy: A set of related actions that will lead to goal attainment by overcoming a critical issue or meeting an objective

There are two components to a strategic action plan:



For FY 2005-2006, agencies are required to document on **EBO Form No. 4a** only the strategy developed in their planning process, but internally they should answer the how, who, when, and how much issues shown above. Strategies should be numbered, and each strategy should consist of a single sentence that describes one approach to achieving some aspect of the program's mission and goals. Taken together, the strategies for a program should explain the approach being taken by the agency to resolve critical issues and reach planned objectives for program or activity during the coming fiscal year.

Action plan statements break down the strategy into its components. They cover issues such as how, who, when, and how much. In the agency's internal documentation of the planning process, they should be presented as lettered sentences below the strategy description. Each action plan statement should be followed by a parenthesis showing who is responsible for accomplishment. If appropriate, each action plan statement within the strategy should include a dollar figure representing the FY 2005-2006 appropriations required for implementation. If costs cannot be broken down to this level, then a cost figure should be attached to the whole strategy.

○ **For Example:** Assume that the Department of Human Resources includes in its goals for the TANF program a 30-day timeliness standard and a zero-error accuracy standard for processing applications. Assume further that its objectives for FY06 include the following two quality measures:

	<u>FY04</u>	<u>FY 05</u>	<u>FY06</u>
% of TANF applications processed within 30 days	75	77	85
% of timely TANF applications processed without error	88	89	95

One strategy for achieving these objectives might be:

1. Identify local offices that have timeliness and/or accuracy problems and provide assistance and corrective action.

The steps involved in the action plan might include:

- a. Identify client and program barriers to processing applications (Manager, Eligibility Determination).
- b. Review quality assurance reports to identify offices not meeting standards (QA Manager).
- c. Develop solutions, including additional resources, assistance, and transfers (Manager, Eligibility Determination and affected office managers).
- d. Institute solutions developed (Affected office managers).

PART B

BUDGET REQUEST INSTRUCTIONS

B1. Budget Request General Information

1. Questions - Direct any questions concerning the budget forms and/or instructions in Part B to the Executive Budget Office, telephone number (334) 242-7230, or ATTNET number 220-7230. The budget analyst assigned to your agency will be available to provide technical assistance in the development of your budget.
2. Due Date – The due date for budget request packages is set by law (§41-4-84, *Code of Alabama*, 1975) as **November 1, 2004**.
3. Explanation of Agency Increase (Decrease) - Create an agency-level summary that reconciles requested funding increases and decreases in an itemized format by major expense object as shown in the example on page 36. The increases and decreases must match the increases and decreases on the agency summary EBO Form No. 5 or No. 2, as applicable.
4. Board Members Compensation - Compensation for attendance at meetings is now subject to FICA withholdings. Please budget accordingly. See the online [Training Manual for Boards and Commissions](#) designed by the Examiners of Public Accounts for additional procedures and guidance.
5. Salaries and Wages – There will be 27 pay periods in FY 2005-2006.
6. Encumbrances - Add estimated encumbrances to the estimated cash expenditures to reflect total obligations for each fiscal year.
7. CAS Reports - Use the following suggested reports as a reference source to obtain data needed to complete the forms.
 - a. ACTUAL RECEIPTS FY 2003-2004 - "A203 DETAIL LISTING OF REVENUES VS. BUDGET" for budget fiscal year 2004 (September 2004 accounting period). Refer to the column entitled "FISCAL YTD REVENUES RECOGNIZED."
 - b. ACTUAL EXPENDITURES FY 2003-2004 - "P441 EOY BUDGET MANAGEMENT REPORT." Refer to the column entitled "TOTAL COMMITMENTS" which includes expenditures, purchase orders and year-end encumbrances. Expenditures by fund, program, activity and object code may be obtained from this report.
 - c. ACTUAL EXPENDITURES FY 2003-2004 by Sub-Object - "Detail Listing of Encumbrances vs. Expenditure by Accounting Distribution" (A400) for the September 2004 accounting period.
 - d. BEGINNING AND ENDING CASH BALANCE FY 2003-2004- "Cash Reconciliation Report" (SGCBC115). Use this report when calculating beginning and ending cash balances on EBO Form No. 1.
8. Zero Balances - Omit zeros or dots in spaces where figures are not applicable.
9. Percent Increase or Decrease from Prior Year - Show the percentage to two decimal places; e.g., 2.78 or 22.00. When there is not an amount shown in the FY 2004-

2005 column and there is an amount shown in the FY 2005-2006 column, the percent of increase should be shown by five dots (.....).

10. Rounding - Round all figures to the nearest dollar and omit all decimal points and zeros. Do not include cents.
11. Page Numbering - Number pages consecutively at the bottom center of each page of the budget request, beginning with EBO Form No. 1.
12. Signature - Have the EBO Form No. 1 signed by the agency head.
13. Number of Copies - Send an **original and one copy** to the Executive Budget Office, P. O. Box 302610, Montgomery, AL 36130-2610 (Street address for private carriers is 11 S. Union, Suite 237, Montgomery, AL 36104). Forward **five copies** to the Legislative Fiscal Office, P. O. Box 303525, Montgomery, AL 36130-3525.
14. Revisions - If a revision to your Budget Request necessitates submitting a new request to the Executive Budget Office, please **resubmit an entire revised original** (not just revised pages) with the word "**REVISION**" noted in the top right corner, and resubmit copies to the Legislative Fiscal Office.
15. EBO Forms – Forms are available on the Internet at the Executive Budget Office's website www.budget.alabama.gov/eboforms.html.

B2. Expenditure Categories

The following categories are the major objects of expenditure that will be used on the budget forms for submission of the FY 2005-2006 budget request. For further detail regarding expenditure objects, please refer to the Chart of Accounts published by the State Comptroller's Office, which may also be found on the Internet at <http://www.comptroller.state.al.us> under the topic "Procedures".

- 0100 Personnel Costs Includes all personnel costs classified as payroll costs. Includes all costs relating to personnel such as regular and part-time salaries and wages, overtime earnings, special allowances paid to law enforcement officers, employee termination costs, and longevity pay. Also includes the compensation to board/commission members for their attendance at official board meetings. All other compensation paid to board/commission members for travel should be budgeted under object code 0300.
- 0200 Employee Benefits Includes employer costs for all employee fringe benefits such as federal insurance contributions (FICA), retirement contributions, group health insurance, worker's compensation insurance, and unemployment compensation. The following rates should be used to compute employee benefits for the following fiscal years:

FICA (Social Security)

2004 Calendar Year - 7.65%, maximum \$87,900
 2004 Calendar Year - 1.45% over \$87,900
 2005 Calendar Year - 7.65%, projected maximum \$91,300*
 2005 Calendar Year - 1.45% over \$91,300*
 2006 Calendar Year - 7.65%, projected maximum \$94,700*
 2006 Calendar Year - 1.45% over \$94,700*

		<u>FY 2004-2005</u>	<u>PROJECTED FY 2005-2006</u>
<u>RETIREMENT CONTRIBUTIONS</u>	Teachers	7.03%	8.17%
	Judicial	21.93%	21.93%
	Law enforcement	18.03%	21.36%
	All other state agencies	5.57%	6.77%
 <u>GROUP HEALTH INSURANCE</u> -Per Employee Projections			
State Employees (SEIB)		\$650* monthly	\$650* monthly
Public Education Employees (PEEHIP)		\$583 monthly	\$684* monthly

*These are projected rates only.

Inquiries about amounts of unemployment compensation should be directed to the Department of Industrial Relations (334-242-8830).

- 0300 Travel - In-State Includes the cost of in-state travel and subsistence for persons traveling in the service of the state. Includes all mileage, commercial transportation costs, per diem costs and other travel expenses not otherwise classified. Includes any travel expenses paid to board/commission members. The current per diem rate ranges \$50 to \$75 per day depending on the length of the trip. Refer to the Department of Finance's *Fiscal Policy and Procedures Manual*. Effective January 1, 2004, the standard mileage rate for travel reimbursement is 37.5 cents per mile for privately owned vehicles. The travel reimbursement rate is equivalent to the federal standard mileage rate allowable by the Internal Revenue Code and is subject to change.
- 0400 Travel - Out-of-State Includes the cost of out-of-state travel and subsistence for persons traveling in the service of the state. Includes all mileage, commercial transportation costs, subsistence and lodging costs, and all other travel expenses not otherwise classified.
- 0500 Repairs and Maintenance Includes repairs and maintenance services for land, buildings/permanent equipment, roadways and bridges, airfields, and office furniture. Budget repairs and maintenance on other equipment under Object 0900 to pay the insurance premium for the State policy that covers such costs. This object does not include repairs and maintenance to automotive equipment.
- 0600 Rentals and Leases Includes rentals and leases (including both operating and capital leases) for land, buildings, automotive equipment, office furniture and equipment, data processing equipment, printing and duplicating equipment, pager rental, as well as motor pool charges other than gasoline.
- 0700 Utilities and Communications Includes costs for electricity, water, gas (except for automotive equipment), fuel oil, coal, telephone, postage, and cellular phones.
- 0800 Professional Services Includes legal, accounting and auditing, actuarial, advertising, appraisal, architectural, data processing personnel services, educational consultants, photography services, medical services, scientific and technical costs and other personnel costs (salaries for contract personnel not on the State payroll). Include in this category transfers made to the State Personnel Department.
- 0900 Supplies, Materials and Operating Expenses Includes costs of materials and supplies used in road and bridge construction, office operations, for scientific and technical uses, for medical-related supplies, and federal taxes and licenses. Also includes payments for the cost of printing and binding; charges for reproduction or copying services; charges for processing or purchasing of microfiche/microfilm; cost of freight and shipping; the cost of products purchased for resale; professional/membership dues; and the cost of books, subscriptions, and periodicals for office or professional use, and insurance and bonding. Also include the premium to the Finance Department-Risk Management Division for insurance coverage.

The following information should be used in estimating costs for insurance premiums paid to the Department of Finance, Division of Risk Management (DORM). A PREMIUM MUST BE PAID IN FULL FOR EACH TYPE OF COVERAGE TO BE INSURED. Departments will be sent premium invoices for FY 2005-2006 by September 30, 2005. You may contact DORM with questions concerning insurance requirements and to obtain a free handbook using one of the following: Telephone- (334) 223-6120; Email- riskinfo@state.al.us; Fax- (334) 223-6154. Alternatively, visit the website for procedures and additional information at Riskmgt.state.al.us.

- ❖ *General Liability Trust Fund Coverage*- Rates for each State Department will remain the same as FY 2004-2005.
- ❖ *Automobile Liability Coverage*- Insurance rates for vehicles and Class I drivers are listed below. This is a reinsurance program, and premiums charged reflect the cost paid by the Division of Risk Management.

<u>Vehicles</u>	<u>Premiums</u>	<u>Drivers</u>	<u>Premiums</u>
Class 001	\$215.00	Class I	\$35.00
Class 002	\$238.00	Class II	No Charge
Class 003	\$323.00		
Class 004	\$405.00		
Class 005	\$490.00		

For information on the following types of coverage contact [Carl Walter](#) in the Division of Risk Management at (334) 223-6138.

- ❖ *Automobile Physical Damage Coverage*- This optional coverage is available to cover damage to vehicles.
- ❖ *Property Insurance*- This is the State Insurance Fund that provides coverage for buildings and contents, blanket replacement coverage, electronic data processing equipment, transit and builders risk insurance.
- ❖ *Policy Management*- Risk Management purchases special policies for departments as follows: boiler and machinery, flood insurance, aircraft and other policies as needed. The blanket fidelity bond will be \$2.00 per employee per year for FY 2005-2006.
- ❖ *State Employee Injury Compensation Trust Fund*- Since October 1, 1994, state employees are covered for on-the-job injuries. Each agency will be billed based on its experience rating.

1000 Transportation Equipment Operations Includes all costs of operating transportation equipment. Includes petroleum products, batteries, tires, repairs and maintenance of transportation equipment, and auto tags.

1100 Grants and Benefits Includes costs relating to the payment of grants, benefits and related expenditures. Includes costs for grants or awards made by the State; health

benefits for certain eligible persons; personal benefits; retirement and pension benefits; grants made by the State to county and municipal school systems, colleges, universities, trade schools and junior colleges; payments to county and municipal health departments; grants from revenue sharing and all payments made in compliance with legislative appropriation acts.

- 1200 Capital Outlay In accordance with §41-4-93, Code of Alabama 1975, Capital Outlay includes expenditures that result in the acquisition of land, buildings, permanent equipment for buildings and/or improvements or alterations to any land, building or permanent equipment for buildings. This includes the cost of construction or alteration to roads, highways, bridges and airfields. Capital Outlay budgeted in Program Unit 050 (Capital Outlay Program) must be coded to the appropriate Expense Objects (from 0100 to 1600). If the project is to be completed within the fiscal year, do not budget it under Program 050.
- 1300 Transportation Equipment Purchases Includes the cost of purchases of all types of equipment used in transportation related activities. Includes purchases of automobiles, light trucks, automotive farming or forestry equipment, boats and heavy equipment.
- 1400 Other Equipment Purchases Includes all equipment purchases over \$500 except those related to transportation. All weapons are included regardless of price. Includes office furniture and equipment, data processing, reproduction and printing, agricultural, communication, medical, scientific/technical, recreational, and heating/cooling equipment. Also includes textbooks and educational teaching aids. (Use 0900 for items less than \$500.)
- 1500 Debt Service Includes the payment of interest, principal and incidental costs on all debt obligations of the State.
- 1600 Miscellaneous To account for operating transfers, reversions, or appropriated operating transfers out of General Fund or ETF.

B3. Compilation of Agency Budget-An Overview

An Agency, or other governmental entity, could consist of one or more programs. A **"program"** shall mean a system of related **activities** required to achieve a specific objective, by providing services to an identified clientele or group of recipients. The Central Accounting System (CAS) captures and reports programs as appropriation units, which shall mean the same as **"program"**. Begin preparing the budget request at the fund level of each program.

- Step No. 1 Prepare an expense detail for each activity in the agency's structure. The expense detail is used to complete EBO Form No. 5 and, therefore, should be developed on the basis of major objects of expenditure (see pages 30 through 33 for definitions of major objects of expenditure).
- Step No. 2 Identify the source of funds for each activity. Complete EBO Form No. 5 for each separate fund.
- Step No. 3 Combine source of funds and complete a summary of EBO Form No. 5 for each activity.
- Step No. 4 Summarize all the activities into their applicable programs and complete EBO Form No. 5 for each program. If the agency has only one program, one activity, and one fund, then only one EBO Form No. 5 will have to be prepared.
- Step No. 5 Complete an EBO Form No. 5 for program "050 - CAPITAL OUTLAY EXPENDITURES" to show all capital outlay expenditures for each of the three fiscal years. Code these expenditures in the appropriate object codes from 0100 to 1600.
- Step No. 6 Compile EBO Form No. 2 from the information on EBO Form No. 5 programs and activities. If the agency has only one program and one activity, no EBO Form No. 2 is required.
- Step No. 7 Complete EBO Form No. 3 for all FY 2005-2006 capital expenditure, transportation equipment and other equipment proposals.
- Step No. 8 Complete a Summary EBO Form No. 1 for all funds. Balance brought forward, actual receipts, etc. for FY 2003-2004 should correspond with the year-end reports for the September 2004 accounting period.
- Step No. 9 Complete a Summary EBO Form No. 6 listing all personnel actually employed in FY 2003-2004, those budgeted for FY 2004-2005 and those requested for FY 2005-2006. Personnel should be grouped according to classification.

Step No. 10 Prepare and include an agency summary that itemizes and explains, by major expenditure object, increases and decreases in requested funding. Use the format shown in the example on page 36.

Step No. 11 Arrange forms in the following order for submission to the Executive Budget Office:

- | | | |
|------|-------------------------|--|
| (1) | Cover Letter | Addressed to the Director of Finance. |
| (2) | Program Analysis | New or discontinued program information. |
| (3) | Explanation of Requests | Itemized explanation of agency increases (decreases).
See example on page 36. |
| (4) | EBO Form No. 1 | Estimated condition of funds. |
| (5) | EBO Form No. 2 | Agency summary budget request (if applicable). |
| (6) | EBO Form No. 3 | Agency capital expenditures. |
| (7) | EBO Form No. 4a | Statement of Program Plans. |
| (8) | EBO Form No. 5 | Agency summary- all programs in one agency. |
| (9) | EBO Form No. 5 | Program summary- all related activities in one program. |
| (10) | EBO Form No. 5 | Activity summary- all funds in one activity. |
| (11) | More than one Program | Repeat items (7), (9), and (10) for each program. |
| (12) | EBO Form No. 6 | Personnel classification. |

Some of the above forms may not apply to your agency. Call your Budget Analyst if you need assistance.

B4. Explanation of Increase/Decrease

SOIL AND WATER CONSERVATION COMMITTEE EXPLANATION OF REQUESTED INCREASES AND DECREASES FY 2006				
	GENERAL FUND	ETF	Earmarked Funds	Inc/Dec TOTAL
FY 2005 Budgeted Expenditures (EBO Form No. 1)	3,157,089	3,500	545,000	3,705,589
FY 2006 INCREASES (DECREASES)				
PERSONNEL:				
position.	35,000			35,000
Merit and probational raises.	15,000			15,000
Termination cost for retiring employee.	6,700			6,700
Additional expense for 27th pay period	7,960			7,960
	64,660			64,660
EMPLOYEE BENEFITS:				
Health insurance, FICA, and retirement contributions for new hire.	10,720			10,720
Increase in benefits due to raises.	1,740			1,740
Increased rates for health insurance premiums and retirement contributions.	316,351			316,351
Additional expense for 27th pay period	1,052			1,052
	329,863			329,863
TRAVEL-IN-STATE:				
Increase number of site visits and educational workshops.	17,300	13,000		30,300
TRAVEL-OUT-OF-STATE:				
Reduced number of employees attending national conference.	(875)			(875)
UTILITIES & COMMUNICATIONS:				
Increase in utility rates.	1,700			1,700
To purchase communications equipment for field work.	1,530			1,530
GRANTS & BENEFITS:				
Increase grants to conservation districts and on-site educational workshops.	335,000	9,967		344,967
				-
TRANSPORTATION EQUIPMENT PURCHASE:				
No vehicle purchases for FY 2006.			(25,000)	(25,000)
TOTAL REQUESTED INCREASE (DECREASE)	749,178	22,967	(25,000)	747,145
FY 2006 TOTAL REQUESTED EXPENDITURES (Must match Total on EBO Form No. 1)	3,906,267	26,467	520,000	4,452,734

Date Completed: 10/20/04

B5. EBO Form No. 5-Program Summary

Note: EBO Form No. 5 is used in three levels of budgeting compilation:

- A. Prepare one EBO Form No. 5 for each **fund** within an activity.
- B. Prepare one EBO Form No. 5 summary for each **activity**, and list all funds.
- C. Prepare one EBO Form No. 5 summary for each **program**, and list all activities and funds.

EBO Form No. 5 will be used to summarize worksheet data for the fund, activity and program level(s) of each agency. P441 EOY Budget Management Report for the period ending "year end" may be helpful in completing EBO Form No. 5. The following detailed instruction numbers pertain to the example on page 39.

1. HEADING- Identify the agency and complete the three-digit agency number.
2. SEQUENCING- Identify the page number of the sequence and total number of pages in the sequence (e.g. if you have three activities within a program, the summary page would be 1 of 4.)
3. CODE NAMES- Identify the appropriate program and activity names. Fill in the organization name only if your agency budgets at the organization level in CAS.
4. CODE NUMBERS- Fill in the appropriate three-digit code number for each program and four-digit code number for each activity. Fill in the four-digit organization number if your agency budgets at the organization level in CAS.
5. EXPENDITURES- Identify expenditures within major objects of expenditure as defined in the Chart of Accounts section entitled, "Expenditure Categories." Complete a separate EBO Form No. 5 for each fund.
6. EMPLOYEES- Specify the actual number of employees utilized for FY 2003-2004, budgeted for FY 2004-2005, and requested for FY 2005-2006. Number of employees should be shown on a full-time equivalency basis, calculated as total time employed divided by the total available work time. One employee utilized for the entire year represents one man-year of service (i.e. $1/1 = 1$). Two secretaries employed for six months are equal to one man-year of service (i.e. $6 \text{ months}/12 \text{ months} = .50 \times 2 \text{ secretaries} = 1.00 \text{ FTE}$). Show number of employees to two decimal places.
7. ACTUAL EXPENDITURES- Use the End-of-Year Budget Management Report (Report P441) to list actual expenditures for FY 2003-2004. When listing these expenditures, use the totals from the "Total Commitments" column of the P441 Report, because this

total includes expenditures, purchase orders, and encumbrances. Never should actual expenditures exceed the amount appropriated.

8. BUDGETED EXPENDITURES- Base expenditures for FY 2004-2005 on the actual legislative appropriations and estimated revenues. This column should reflect the same numbers as those on your 2004-2005 Operations Plan, including any approved revisions.
9. REQUESTED EXPENDITURES- This column represents the budget that you are requesting for FY 2005-2006.
10. VARIANCES- Calculate the Amount of the Increase (Decrease) From Prior Year by subtracting column 8 (Budgeted Expenditures) from column 9 (Requested Expenditures).
11. PERCENTAGE- Calculate Percent by dividing column 10 by column 8 and multiply that result by 100 (i.e. $3,957 \div 195,706 = .0202$; and $.0202 \times 100 = 2.02$). The Percent of Increase or Decrease Prior Year should be shown to two decimal places. This may require adjusting the mode or setting on your calculator. When there is not an amount shown in column 8 (Budgeted Expenditures) and there is an amount shown in column 9 (Requested Expenditures), the percent of increase should be shown by inserting five dots (.....).
12. SOURCE OF FUNDS- Fill in the Source of Funds and the four-digit fund code number. Only one fund number should be on each page; however, it may be listed more than once. For example, list the General Fund appropriation on one line and the General Fund appropriation from a special act on a separate line of the same form (Multiple funds may appear on summary pages only). **Total Funds must equal Total Expenditures for each of the three fiscal years.** Total Funds on EBO Form No. 5 will not necessarily equal Total Receipts on EBO Form No. 1, but rather justify sources for expenditures for each of the three fiscal years.
13. SUPPLEMENTAL APPROPRIATIONS- Show any supplemental appropriations from separate acts on a separate line. For example, agencies that received additional appropriation authority during fiscal year 2003-2004 (from Act 2004-563) should list that appropriation on a separate line on EBO Form No. 5 under the ACTUAL EXPENDITURES column.
14. EXPANSION / DISCONTINUATION- If the agency will be either starting a major new service or discontinuing any existing services, attach a summary analysis (or include a footnote) explaining this **Program Change**.

Program Name: Agricultural Development Services (3)
Activity Name: Livestock Market News Services (3)
Organization Name: (3)

Program No.: 001 (4)
Activity No.: 0002 (4)
Budget Org No.: (4)

(5) MAJOR OBJECTS		(7) ACTUAL EXPENDITURES 2003-2004	(8) BUDGETED EXPENDITURES 2004-2005	(9) REQUESTED EXPENDITURES 2005-2006	(10) INCREASE (DECREASE) FROM PRIOR YEAR	
					AMOUNT	(11) PERCENT
(6) Number of Employees		10.00	10.00	10.50	0.50	5.00%
0100 Personnel Costs		172,782	190,206	199,663	9,457	4.97%
0200 Employee Benefits		37,921	39,290	44,224	4,934	12.56%
0300 Travel-In-State		17,784	17,900	18,000	100	0.56%
0400 Travel-Out-Of-State		797	850	900	50	5.88%
0500 Repairs and Maintenance		90	150	180	30	20.00%
0600 Rentals and Leases						
0700 Utilities and Communication		5,650	6,000	4,250	(1,750)	-29.17%
0800 Professional Services		38		75	75
0900 Supplies, Materials and Operating Exp		1,816	1,950	2,000	50	2.56%
1000 Transportation Equipment Operations		11,752	10,106	12,150	2,044	20.23%
1100 Grants and Benefits						
1200 Capital Outlay		12,900		5,406	5,406
1300 Transportation Equipment Purchases		6,582	7,200	52,224	45,024 *	625.33%
1400 Other Equipment Purchases		470	900	2,300	1,400	155.56%
1500 Debt Service						
1600 Miscellaneous						
TOTAL EXPENDITURES		268,582	274,552	341,372	66,820	24.34%
FUND NO.	(12) SOURCE OF FUNDS					
0100	State General Fund	232,655	241,055	300,995	59,940	24.87%
(13) 0100	State General Fund (Act 2004-563)		5,500		(5,500)	-100.00%
0301	Federal Funds	10,000	15,000	22,000	7,000	46.67%
0300	Shipping Point Inspection Receipts	25,927	12,997	18,377	5,380	41.39%
TOTAL SOURCE OF FUNDS		268,582	274,552	341,372	66,820	24.34%

(14) * Large increase due to a legislative requirement to increase inspection activities, which require additional automobiles for state travel.

B6. EBO Form No. 2-Summary Request

Note: Prepare one EBO Form No. 2 as an agency summary of all EBO Forms No. 5 **if there are multiple activities or programs**. An agency with one program and one activity **should not** complete EBO Form No. 2.

Detailed instruction numbers refer to the example on page 42.

1. Identify the Agency and complete the three-digit agency number.
2. Identify the Page Number of the sequence and the total number of pages in the sequence used in the Agency Summary Budget Request.
3. List all programs and activities within each program in order of priority. Pay special attention to the format. The title of the program should be typed in ALL CAPITALS followed by a colon. The activities should be typed in upper and lower case and indented. Enter three-digit program number and four-digit activity code number in the left-hand column.
4. Show the Total Expenditures for each program for each of the three fiscal years and the increase (decrease) over prior year amounts and percentages. These amounts must match corresponding program totals on EBO Form No. 5.
5. Calculate Total Expenditures by summing all agency program expenditures for each fiscal year.
6. Develop an Agency Summary based on the format given in the example. Identify all applicable major objects of expenditure and their code numbers (major object code numbers are the same for all agencies). Do not include objects which have no expenditures. The agency summary is derived by summing the major objects of expenditure of all EBO Form No. 5 Program Summaries.
7. Verify that Total Expenditures under the agency summary equals Total Expenditures under the Program and Activity Summary (Item 7 = Item 5).
8. Show the Total Number of Employees for each fiscal year to equal the sum of Number of Employees shown on each EBO Form No. 5 Program Summary and the Total Number of Employees shown on EBO Form No. 6 Personnel Classification. Extend to two decimal places, e.g., 1.50 or 10.00.
9. Identify the agency Source of Funds and four-digit fund code numbers based on the format given. Total Funds must equal Total Expenditures in all columns but will not necessarily equal Total Receipts on EBO Form No. 1. Total Funds should justify

Total Expenditures. List any supplemental appropriations separately and identify the Act number.

10. Show Percent Increase or Decrease From Prior Year including two decimal places. When there is not an amount shown in FY 2004-2005 column and there is an amount shown in the FY 2005-2006 column, the percent of increase should be shown by five dots (.....).

STATE OF ALABAMA EBO Form No. 2		AGENCY BUDGET REQUEST SUMMARY BUDGET REQUEST		(1) Agency: Agriculture and Industries (1) Agency No. 001 (2) Page 1 of 1	
PROGRAMS & ACTIVITIES (Listed in Priority Order)		ACTUAL 2003-2004	BUDGETED 2004-2005	REQUESTED 2005-2006	INCREASE (DECREASE) FROM PRIOR YEAR
					AMOUNT (10) PERCENT
656 (3) ADMINISTRATIVE SERVICES PROGRAM:					
0441 (3) Executive Administration Activity		414,862	451,272	540,485	89,213 19.77%
011 AGRICULTURAL DEVELOPMENT SERVICES PROGRAM:					
0002 Livestock Market News Services Activity		263,082	274,552	336,577	
0003 Marketing Development Activity		288,256	302,476	514,488	
(4) TOTAL		551,338	577,028	851,065	274,037 47.49%
050 CAPITAL OUTLAY PROGRAM:					
0003 Marketing Development Activity				50,000	50,000
(5) TOTAL EXPENDITURES		966,200	1,028,300	1,441,550	413,250 40.19%
(6) DEPARTMENT OF AGRICULTURE AND INDUSTRIES SUMMARY:					
0100 Personnel Costs		437,464	357,210	404,886	47,676 13.35%
0200 Employee Benefits		65,309	82,000	88,500	6,500 7.93%
0300 Travel - In-State		31,617	35,000	39,000	4,000 11.43%
0500 Repairs and Maintenance		50,555	60,000	83,000	23,000 38.33%
0700 Utilities and Communication		92,551	100,000	125,000	25,000 25.00%
0800 Professional Services		4,100	4,400	4,550	150 3.41%
0900 Supplies, Materials and Operating Exp		24,382	28,800	39,000	10,200 35.42%
1100 Grants and Benefits		177,222	282,890	549,266	266,376 94.16%
1200 Capital Outlay		12,900		50,000	50,000
1300 Transportation Equipment Purchases		50,900	78,000	54,448	(23,552) -30.19%
1400 Other Equipment Purchases		19,200		3,900	3,900
(7) TOTAL EXPENDITURES		966,200	1,028,300	1,441,550	413,250 40.19%
(8) Total Number of Employees		19.00	21.00	22.50	1.50 7.14%
(9) SOURCE OF FUNDS:					
0100 State General Fund		600,500	674,500	928,550	254,050 37.66%
0100 State General Fund (2004-563)			5,500		(5,500) -100.00%
0485 Egg Inspection Fund		92,050	30,000	63,000	33,000 110.00%
0300 Shipping Point Inspection Fund		214,000	250,000	250,000	
0301 Federal Funds		59,650	68,300	200,000	131,700 192.83%
TOTAL SOURCE OF FUNDS		966,200	1,028,300	1,441,550	413,250 40.19%

B7. EBO Form No. 3-Capital Expenditure Plan

Note: Prepare one EBO Form No. 3 at the agency level.

The purpose of EBO Form No. 3 is to justify, describe, and plan for financing all proposed capital expenditures. Individually itemize all capital items having an estimated cost in excess of \$1,000 and a useful life exceeding one year. **Combine all items costing less than \$1,000** with an estimated life exceeding one year and identify as "Miscellaneous Capital Expenditures" under the appropriate capital expenditure category. Items having a useful life of less than one year should be identified as **another object**, not as capital expenditures. Capital Outlay, Transportation Equipment Purchases, and Other Equipment Purchases were defined under "Expenditure Categories". All figures should be representative of the entire agency.

The detailed instruction numbers for EBO Form No. 3 apply to the example on page 44.

1. Identify the agency and complete the three-digit agency number.
2. Identify the page number of the sequence and the total number of pages in the sequence.
3. Identify the items requested in **order of priority**.
4. Show the estimated cost under the appropriate capital expenditure category.
5. Identify the code number of the program affected by the expenditure.
6. Specify the location(s) for use of the proposed item; e.g., Montgomery, Statewide, Headquarters, Dothan, etc.
7. Indicate the proposed sources and/or methods of financing; e.g., General Fund, Federal Funds, fees, etc.
8. Indicate the four-digit fund code number from which each item will be funded.
9. Total each column of capital expenditures. **Totals must equal** the object totals shown under the Agency Summary on EBO Form No. 2 for FY 2005-2006 and Program Summary EBO Form No. 5 for FY 2005-2006.
10. Prepare a brief narrative description and justification concerning the use of the proposed item. Explain why it is needed and estimate the potential effect on services provided. For Capital Outlay expenditures, provide an approximate completion date.

STATE OF ALABAMA EBO Form No. 3		AGENCY BUDGET REQUEST CAPITAL EXPENDITURES FY 2006		(1) Agency: <u>Agriculture and Industries</u> (1) Agency No.: <u>001</u> (2) Page <u>1</u> of <u>1</u>			
	(4)			(5)	(6)	(7)	(8)
IDENTIFICATION OF REQUESTED ITEMS (Priority Listing if Multiple Items) (3)	CAPITAL OUTLAY	TRANSPORTATION EQUIPMENT PURCHASES	OTHER EQUIPMENT PURCHASES	PROGRAM AFFECTED	LOCATION	SOURCE OF FINANCING	FUND CODE NO.
1 1 Automobile		25,000		011	Statewide	SGF	0100
2 1 Electronic File Retriever System			2,300	011	Headquarters	Ag Fees	0301
3 Trailers		27,224		011	Montgomery	Federal	0301
4 Roof replacement	5,406			011	Montgomery	SGF	0100
TOTALS (9)	5,406	52,224	2,300				
(10) DESCRIPTION AND JUSTIFICATION: 1 Needed for increased inspections 2 Replace outdated equipment 3 Replace worn equipment 4 Re-roofing admin building, to be completed by September 2006.							

B8. EBO Form No. 1-Condition of Funds

Note: Prepare one EBO Form No. 1 to summarize all agency receipts including General Fund and ETF appropriations, federal matching funds, federal grants, local funds, departmental receipts earmarked for specific programs, and all other funds and revenues.

Detailed instruction numbers apply to the example on page 47.

1. Identify the agency and complete the three-digit agency number.
2. Show actual receipts and expenditures for FY 2003-2004, budgeted receipts and expenditures for FY 2004-2005 and requested receipts and expenditures for FY 2005-2006. Receipt figures for FY 2003-2004 should agree with the year-end Detail Listing of Revenues vs. Budget Report (A-203) for budget fiscal year 2004 (September 2004 accounting period). All numbers should be rounded to the nearest dollar. **Do not show decimal places at all.** Refer to the column entitled "Fiscal Year to Date Revenue Recognized" in the report noted above for each fund.
3. Calculate the Amount of Increase (Decrease) From Prior Year by subtracting the FY 2004-2005 fund amount from the FY 2005-2006 fund amount.
4. Calculate the Percent of Increase (Decrease) From Prior Year by dividing the Amount of Increase/(Decrease) by the FY 2004-2005 budgeted fund amount. The percent figure should be shown to two decimal places (i.e. 2.13).
5. Using the Cash Reconciliation Report (C115), calculate the Unencumbered Balance Brought Forward by subtracting from Beginning Cash any prior year (other than the one just ended) expenses and/or prior year unpaid P.O.'s and encumbrances.
6. Fill in the appropriate four-digit fund code numbers assigned by the State Comptroller's Office.
7. List all receipts of Federal and Local Funds such as federal matching funds, federal grants and local funds. Show each source separately; e.g., Federal Grant.
8. List all receipts of State Funds such as the State General Fund, ETF, departmental receipts, and all other state sources. List any supplemental appropriations separately and identify by Act number.
9. Calculate Total Receipts as the aggregate total of all receipts for the fiscal year but **do not include the Unencumbered Balance Brought Forward.**

10. Calculate Total Available by adding the Unencumbered Balance Brought Forward and Total Receipts (Item 5 + Item 9).
11. Show Expenditures to equal Total Expenditures on EBO Form No. 2 and Total Expenditures on Program Summary EBO Form No.5 for each fiscal year.
12. List any Transfers which are the amounts transferred from one agency or fund to another agency or fund when no service is received by the agency transferring the funds. Do not include transfers as a part of total expenditures on EBO Forms No. 1, 2, and 5. State to which agency or fund the transfer is to be made; e.g., Transfer to ABC Board. Do not include intra-agency transfers.
13. List any Reversions which are amounts reverted to the fund from which the monies were originally appropriated. Do not include reversions as a part of total expenditures on the EBO Forms No. 1, 2, and 5. Identify the fund to which the reversion is to be made; e.g., Reversion to State General Fund.
14. Calculate the Balance Unencumbered by subtracting Expenditures, Transfers and Reversions from Total Available (Item 14 = Item 10 - Items 11, 12, and 13). The Balance Unencumbered at the end of one fiscal year becomes the Unencumbered Balance Brought Forward for the beginning of the next fiscal year.

STATE OF ALABAMA EBO Form No. 1		AGENCY BUDGET REQUEST ESTIMATED CONDITION OF FUNDS			(1) Agency: Agency No.	Agriculture and Industries 001	
		(2)					
RECAP OF ALL FUNDS		ACTUAL 2003-2004	BUDGETED 2004-2005	REQUESTED 2005-2006	INCREASE (DECREASE) FROM PRIOR YEAR		
					(3) AMOUNT	(4) PERCENT	
FUND NO.	RECEIPTS						
(5)	Unencumbered Balance Brought Forward		19,500	18,000	(1,500)	-7.69%	
(6)	RECEIPTS:						
(7)	Federal and Local Funds:						
0301	Poultry and Egg Assoc.	80,350	61,300	200,000	138,700	226.26%	
0301	Federal Grant	10,000					
(8)	State Funds:						
0100	State General Fund	600,000	680,000	928,550	248,550	36.55%	
0100	State General Fund (2004-563)		5,500		(5,500)	-100.00%	
0300	Shipping Point Inspection Fund						
0485	Egg Inspection Fund	226,000 92,050	250,000 30,000	250,000 45,000	15,000	50.00%	
(9)	TOTAL RECEIPTS	1,008,400	1,026,800	1,423,550	396,750	38.64%	
(10)	TOTAL AVAILABLE	1,008,400	1,046,300	1,441,550	395,250	37.78%	
(11)	LESS: EXPENDITURES	966,200	1,028,300	1,441,550	413,250	40.19%	
(12)	TRANSFERS TO STATE GENERAL FUND	17,700					
(13)	REVERSIONS TO STATE GENERAL FUND	5,000					
(14)	BALANCE UNENCUMBERED	19,500	18,000		(18,000)	-100.00%	

APPROVED AGENCY HEAD
Agency Head

October 20, 2004

Date

B9. EBO Form No. 6-Personnel Classification

Note: Prepare EBO Form No. 6 - a one-page summary for the total agency.

Detailed instruction numbers apply to the example on page 50.

1. Identify the agency and complete the three-digit agency number.
2. Identify the page number of the sequence and the total number of pages in the sequence.
3. Indicate only the major groups of employee classifications utilized. Combine similar classifications; for example, Accountants, Inspectors, Engineers, Analysts, etc. would not be listed as individual classifications such as Analyst I, II, III, etc.
4. Indicate the number of employees in each classification grouping for each of the three years. Number of employees should be shown on a **full-time equivalency basis**, calculated as total time employed divided by the total available work time. One employee utilized for the entire year represents one man-year of service (i.e. $1/1 = 1$). Two secretaries employed for six months are equal to one man-year of service (i.e. $6 \text{ months}/12 \text{ months} = .50 \times 2 \text{ secretaries} = 1.00 \text{ FTE}$). Show number of employees to two decimal places.
5. Indicate the total amount of salary for each category listed for each of the three years. Round personnel cost to the nearest dollar.
6. Show all additional personnel costs that are not a part of regular salary on a separate line; e.g., termination costs, overtime, special allowances, board members' per diem, etc.
7. Show the total paid or budgeted for longevity for each year on a separate line.
8. Indicate the total number of employees and personnel cost for each of the three years which should agree with the amounts presented on EBO Form No. 2 and the program summary EBO Form No. 5.
9. Other Personnel Information - the number of employees affected should be identified in one or more of the following categories for each of the three years.
 - (a) Anniversary/Annual/Promotional Raises - raises granted on the anniversary date of employment after an evaluation and a qualifying score is earned; at the time of a promotion, and at the time permanent status is granted in a new classification (i.e. raises that are granted when employee has completed probationary period).
 - (b) Special Merit Raises - any special meritorious increases granted in addition to the regular anniversary raise or a promotional raise.

- (c) New Positions - includes any newly created positions not previously allotted to your department. For example, approval has been granted by the State Personnel Department to your agency for a new classification slot of an Attorney I. This new employee would be listed as a "New Position."
- (d) Vacant Positions Filled - any position within your agency that has been vacant for six months or more that will be filled during the current year.
- (e) Employees on September 30 - total number of FTE employees as of the last pay period of each fiscal year.

NOTE: After completing Form 6, **compare it to the Agency Summary EBO Form No. 5 (or, EBO Form No. 2) to make sure that the totals are the same.**

(3) EMPLOYEE CLASSIFICATIONS	ACTUAL 2003-2004		BUDGETED 2004-2005		REQUESTED 2005-2006	
	(4) NO. EMPLOYEES	(5) AMOUNT	(4) NO. EMPLOYEES	(5) AMOUNT	(4) NO. EMPLOYEES	(5) AMOUNT
ASA I & II	3.00	40,164	3.00	75,172	5.00	93,931
Laboratory Technicians	3.00	75,000	3.00	78,750	3.00	82,688
Commissioner	1.00	59,000	1.00	61,950	1.00	65,048
Microbiologists	3.00	82,500	3.00	86,625	3.00	90,956
Investigators	2.00	57,600	2.00	60,480	2.00	63,504
Custodian	1.00	10,500	1.00	11,025	1.50	11,576
Admin. Asst.			1.00	30,000	1.00	31,500
(6) Termination Costs						
(7) Longevity		28,000		44,209		14,155
		5,700		15,700		7,100
(8) TOTALS	13.00	358,464	14.00	463,911	16.50	460,457
(9) OTHER PERSONNEL INFORMATION:	2003-2004		2004-2005		2005-2006	
Number of Anniversary, Special, Promotional Raises			1.00			
Number of Special Merit Raises						
Number of New Positions						
Number of Vacant Positions Filled					1.50	
Number of Employees on Sept 30th	13.00		14.00		15.00	

APPENDIX A

THE BUDGET MANAGEMENT ACT

APPENDIX A:

THE BUDGET MANAGEMENT ACT

Code of Alabama 1975, Sections 41-19-1 through 41-19-12

41-19-1. Short title.

This chapter may be cited as The Budget Management Act. (*Acts 1976, No. 494, p. 614, § 1.*)

41-19-2. "Agency/department" defined.

For the purposes of this chapter, the term "agency/department" shall include state agencies, departments, boards, bureaus, the Legislature and institutions of the state. (*Acts 1976, No. 494, p. 614, § 2.*)

41-19-3. Purpose of chapter; Governor to develop and present four-year strategic plan.

It is the purpose of this chapter to establish a comprehensive system for budgeting and financial management which furthers the capacity of the Governor and the Legislature to plan and finance the services which they determine the state will provide for citizens. The system shall include procedures for all of the following:

- (1) The orderly establishment, continuing review, and periodic revision of the program and financial goals and policies of the state.
- (2) The development, coordination, and review of long-range program and financial plans that will implement established state goals and policies.
- (3) The preparation, coordination, analysis, and enactment of a budget, organized to focus on state services and their costs, that authorizes the implementation of policies and plans in the succeeding budget period.
- (4) The evaluation of alternatives to existing policies, plans, and procedures that offer potential for more efficient or effective state services.
- (5) The regular appraisal and reporting of program performance.

To this end, each Governor shall develop a four-year strategic plan for presentation to the Legislature prior to the first day of the second regular legislative session in each term of office. The plan shall include program, long-range revenue and expenditure plans for the quadrennium, improvements in the state infrastructure requiring capital outlay, and recommended steps to reduce the cost of operation of state government. In addition, the plan shall include a pilot phase of implementation for performance-based budgeting with one or more state agencies. The Joint Fiscal Committee and the Governor shall jointly select state agencies to participate in said pilot phase for the 1996-97 fiscal year. (*Acts 1976, No. 494, p. 614, §2; Acts 1992, No. 92-185, p. 348, §2; Acts 1995, No. 95-531, p. 1076, § 1.*)

41-19-3.1. Joint Fiscal Committee to serve in advisory capacity to Governor in development of plans.

The Joint Fiscal Committee shall serve in an advisory capacity to the Governor in the development of the long-range program, revenue and expenditure plans. The Joint Fiscal Committee shall be aided by the Legislative Fiscal Office. Members of the Joint Fiscal Committee shall be compensated as provided for in Section 29-5-2. (*Acts 1995, No. 95-531, p. 1076, § 2.*)

41-19-4. Responsibilities of Governor as to preparation and administration of state budget, etc., generally.

The Governor is responsible for the preparation and administration of the state budget and the evaluation of the long range program plans, requested budgets and alternatives to state agency/department policies and programs and formulation and recommendation for consideration by the Legislature of a proposed comprehensive program and financial plan which shall cover all estimated receipts and expenditures of the state government, including all grants, loans and moneys received from the federal government. Proposed expenditures shall not exceed estimated revenues and resources. (*Acts 1976, No. 494, p. 614, § 3.*)

41-19-5. Responsibilities of Department of Finance as to preparation of budget, etc., generally.

The Department of Finance shall:

- (1) Assist the Governor in the preparation and explanation of the proposed comprehensive program and financial plan, including the coordination and analysis of state agency/department program goals and objectives, program plans and program budget requests;
- (2) Develop procedures to produce the information needed for effective decision making;
- (3) Assist agencies/departments in preparing their statement of goals and objectives, program plans, program budget requests and reporting of program performance;
- (4) Administer its responsibilities under the program execution provisions of this chapter so that the policy decisions and budget determination of the Governor and the Legislature are implemented to the fullest extent possible within the concepts of proper management;
- (5) Provide the Legislature with budget information; and
- (6) Assist agencies/departments in the preparation of their proposals under Section 41-19-6. This assistance shall include organization of materials, provision of centrally collected accounting, budgeting and personnel information, standards and guidelines formulation, provision of population and other required data, and any other assistance that will help the state agencies/departments produce the information necessary for efficient agency/department management and effective decision making by the Governor and the Legislature. (*Acts 1976, No. 494, p. 614, § 5.*)

41-19-6. Program and financial information to be submitted to Department of Finance by agencies/departments; preparation of information by Department of Finance upon failure of agencies/departments to transmit same; compilation and submission to Governor of summary of information.

(a) Each state agency/department, on the date and in the form and content prescribed by the Department of Finance, shall prepare and forward to the Budget Officer the following program and financial information:

(1) The goals and objectives of the agency/department programs, together with proposed supplements, deletions and revisions to such programs;

(2) Its proposed plans to implement the goals and objectives, including estimates of future service needs, planned methods of administration, proposed modification of existing program services and establishment of new program services, and the estimated resources needed to carry out the proposed plan;

(3) The budget requested to carry out its proposed plans in the succeeding fiscal year. The budget request information shall include the expenditures during the last fiscal year, those estimated for the current fiscal year, those proposed for the succeeding fiscal year and any other information requested by the Department of Finance;

(4) A report of the revenues during the last fiscal year, an estimate of the revenues during the current fiscal year and an estimate for the succeeding fiscal year;

(5) A statement of legislation required to implement the proposed programs and financial plans; and

(6) An evaluation of the advantages and disadvantages of specific alternatives to existing or proposed program policies or administrative methods.

(b) The state agency/department proposals prepared under subsection (a) of this section shall describe the relationships of their programs services to those of other state agencies/departments and other branches of state government.

(c) If any state agency/department fails to transmit the program and financial information required under subsection (a) of this section on the specified date, the Department of Finance may prepare such information.

(d) The Department of Finance shall compile and submit to the Governor or the Governor-elect for any year when a new Governor has been elected, not later than November 20, a summary of the program and financial information prepared by state agencies/departments. (*Acts 1976, No. 494, p. 614, § 6.*)

41-19-7. Formulation and presentation to Legislature and agencies/departments of Governor's proposed program and financial plan.

(a) The Governor shall formulate the program and financial plan to be recommended to the Legislature after considering each state agency's proposed program and financial plan. The Governor's plan shall include his recommended goals and policies, recommended plans to

implement the goals and policies, recommended budget for the succeeding fiscal year and recommended revenue measures to balance the budget.

(b) The proposed comprehensive program and financial plan shall be presented by the Governor in a message to a joint session of the Legislature on or before the fifth legislative day of each regular session of the Legislature. The message shall be accompanied by an explanatory report which summarizes recommended goals, plans and appropriations. The explanatory report shall be furnished each member of the Legislature and each state agency/department on or before the fifth legislative day of the regular session of the Legislature. The report shall contain the following information:

- (1) The coordinate program goals and objectives that the Governor recommends to guide the decisions on the proposed program plans and budget appropriations;
- (2) The program and budget recommendations of the Governor for the succeeding fiscal year;
- (3) A summary of state revenues in the last fiscal year, a revised estimate for the current fiscal year and an estimate for the succeeding fiscal year;
- (4) A summary of expenditures during the last fiscal year, those estimated for the current fiscal year and those recommended by the Governor for the succeeding fiscal year; and
- (5) Any additional information which will facilitate understanding of the Governor's proposed program and financial plan by the Legislature and the public. (*Acts 1976, No. 494, p. 614, § 7.*)

41-19-8. Responsibilities of Legislature as to consideration and adoption of program and financial plan, etc. -- Generally.

The Legislature shall:

- (1) Consider the program and financial plan recommended by the Governor, including proposed goals and policies, tax rate and other revenue changes and long range program plans;
- (2) Adopt programs and alternatives to the plan recommended by the Governor which it deems appropriate;
- (3) Adopt legislation to authorize the implementation of a comprehensive program and financial plan; and
- (4) Provide for a post audit of financial transactions, program accomplishments and execution of legislative policy direction. (*Acts 1976, No. 494, p. 614, § 4.*)

41-19-9. Responsibilities of the Legislature as to consideration and adoption of program and financial plan, etc. -- Balancing of authorized expenditures and estimated revenues and resources.

The Legislature shall consider the Governor's proposed comprehensive program and financial plan, evaluate alternatives to the Governor's recommendations and determine the comprehensive program and financial plan to support the services to be provided the citizens of the state;

provided, however, that in such determination authorized expenditures shall not exceed estimated revenues and resources. (*Acts 1976, No. 494, p. 614, § 8.*)

41-19-10. Authority of agencies/departments as to administration of programs and appropriations generally; preparation, review, approval, etc., of annual plans for operation of programs; granting of salary increases, etc., by agencies/departments; transfers or changes of appropriations; quarterly reports by Department of Finance as to operations of agencies/departments.

(a) Except as limited by policy decisions of the Governor, appropriations by the Legislature and other provisions of law, the several state agencies/departments shall have full authority for administering their program assignments and appropriations and shall be responsible for their proper management.

(b) Each state agency/department shall prepare an annual plan for the operation of each of its assigned programs. The operations plan shall be prepared in the form and content and be transmitted on the date prescribed to the Department of Finance.

(c) The Department of Finance shall:

(1) Review each operations plan to determine that it is consistent with the policy decisions of the Governor and appropriations by the Legislature, that it reflects proper planning and efficient management methods and that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year;

(2) Approve the operations plan if satisfied that it meets the requirements under subdivision (1) of this subsection; otherwise, the Department of Finance shall require revision of the operations plan in whole or in part; and

(3) Modify or withhold the planned expenditures at any time during the appropriation period if the Department of Finance finds that such expenditures are greater than those necessary to execute the programs at the level authorized by the Governor and the Legislature or that the revenues and resources will be insufficient to meet the authorized expenditure levels.

(d) No state agency/department may increase salaries of its employees, employ additional employees or expend money or incur any obligations except in accordance with law and with a properly approved operations plan by the Director of Finance.

(e) Appropriation transfers or changes as between objects of expenditures within a program may be made only by the Director of Finance. Appropriation transfers or changes between programs within an agency/department may be made only by the Governor and shall be reported to the Legislature quarterly. No transfers shall be made between agencies/departments except pursuant to interagency agreements executed for purposes of accomplishing objectives for which the funds involved were appropriated.

(f) The Department of Finance shall report quarterly to the Governor and the Legislature on the operations of each state agency/department, relating actual accomplishments to those planned and modifying, if necessary, the operations plan of any agency/department for the balance of the fiscal year. (*Acts 1976, No. 494, p. 614, § 9.*)

41-19-11. Submission of performance reports to Department of Finance by agencies/departments; form and contents thereof; preparation and forwarding to members of Legislature of summary of reports.

(a) Each state agency/department shall submit a performance report to the Department of Finance on or before November 1 for the preceding fiscal year. These reports shall be in the form prescribed by the Budget Officer and shall include statements concerning:

(1) The work accomplished and the services provided in the preceding fiscal year or other meaningful work period, relating actual accomplishments to those planned under subsection (b) of section 41-19-10;

(2) The relationship of accomplishments and services to the policy decisions and budget determinations of the Governor and the Legislature;

(3) The costs of accomplishing the work and providing the services, to the extent feasible, citing meaningful measures of program effectiveness and costs; and

(4) The administrative improvements made in the preceding year, potential improvements in future years and suggested changes in legislation or administrative procedures to make further improvements.

(b) The Finance Department shall summarize the performance reports and forward copies to each member of the Legislature annually. (*Acts 1976, No. 494, p. 614, § 10.*)

41-19-12. Preparation for presentation or presentation to legislative committee of false budget or fiscal information.

(a) Any person in state government, including elected or appointed officials, who prepares false budget or fiscal information to be presented to any legislative committee or who presents false budget or fiscal information to any legislative committee, knowing such budget or fiscal information to be false, shall be guilty of a misdemeanor and, on conviction, shall be imprisoned in the county jail for not more than one year and may also be fined not more than \$1,000.00.

(b) In the event of a second conviction under this section, such person shall be forever ineligible to hold any position with the State of Alabama. (*Acts 1976, No. 389, p. 495.*)

